

Monthly Market Snapshot

August 2021

The Monthly Market Snapshot publication provides commentary on the global economy and the performance of financial markets



Market Commentary

Globally, the reopening and rebound of economic activity continued in August. However, although some economic data, such as the purchasing managers index (PMI) manufacturing survey, remains very strong it is starting to retrace from the peak growth levels earlier in the year.

Equity markets in all major regions produced positive returns in August. Early in the month, there was some continued weakness in Chinese equities but returns later rebounded to produce a strong positive return for the month overall.

The Delta variant of COVID-19 continues to spread and new cases have been rising. In Europe and the UK, vaccination levels have meant that hospitalisation rates have not risen at the same rate as previous waves. But in the US, where vaccination levels are not as high, particularly in certain states, hospitalisation rates are increasing more sharply.

In Australia, the spread of the Delta variant, has resulted in heavy lockdowns in the two most populous states of New South Wales and Victoria. The lockdowns have resulted in a sharp slow down in economic activity. However, the Australian equity market still produced a solid positive return in August. Market returns benefited from the takeover of Afterpay by US company Square for around \$40 billion, in the largest takeover in Australian history. Conversely the Resources sector produced a large negative return in August, as the oil price and other commodity prices, specifically the iron ore price, continued to decline with slowing economic growth in China.

Real assets, particularly Australian listed property, also had positive returns in August.

At its Jackson Hole symposium, the US Federal Reserve Chairman, Jerome Powell, advised that given “substantial further progress” in the economic rebound he believes tapering of some of the monetary support should occur this year, but that interest rates will not be raised in the near-term.

During August, Australian government bond yields declined a small amount, while international bond yields, including in the US, increased by a small amount. Australian 10-year government bonds yields are at a discount to US 10-year bonds yields, compared to at the start of the financial year when Australian bond yields were at a premium to the US.

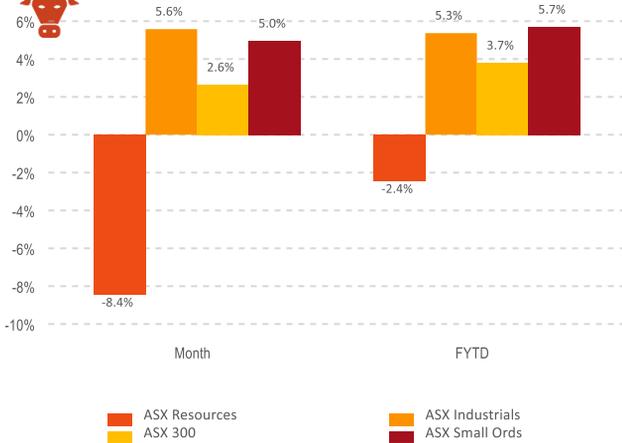
The result of the bond yield movements was a very small positive return for Australian bonds and a small negative return for international bonds.

The AUD fell again against all major currencies in August, with the exception of the GBP which was weak over the month.

August 2021



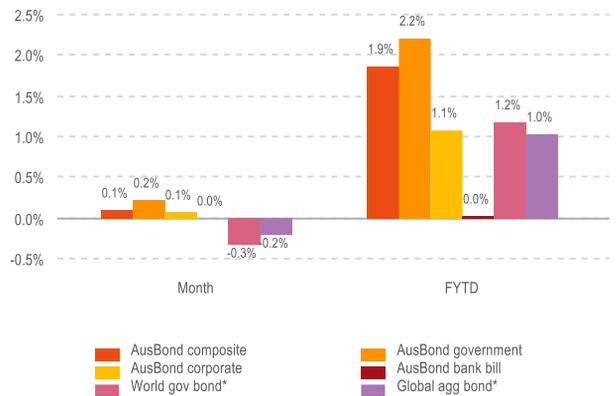
Australian Equities



Source: Refinitiv Datastream



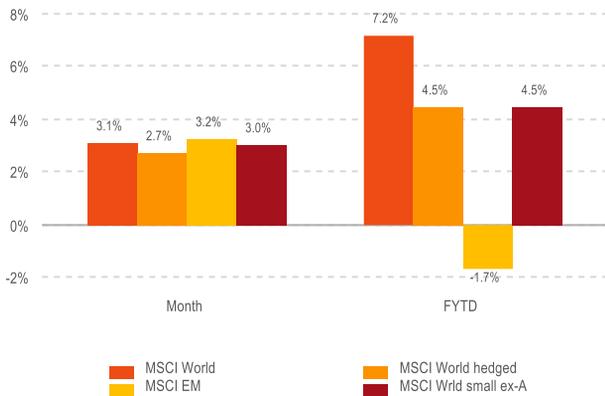
Fixed Income



Source: Refinitiv Datastream



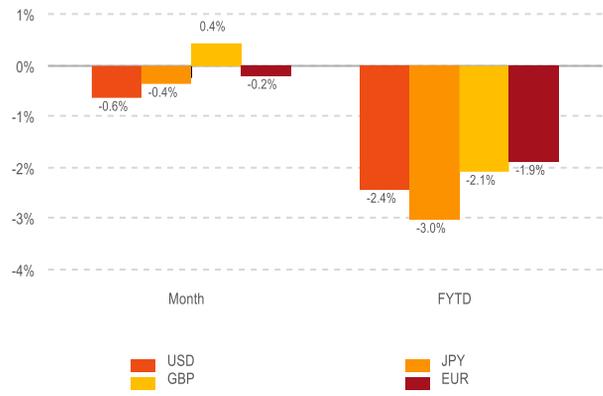
International Equities (\$A)



Source: Refinitiv Datastream



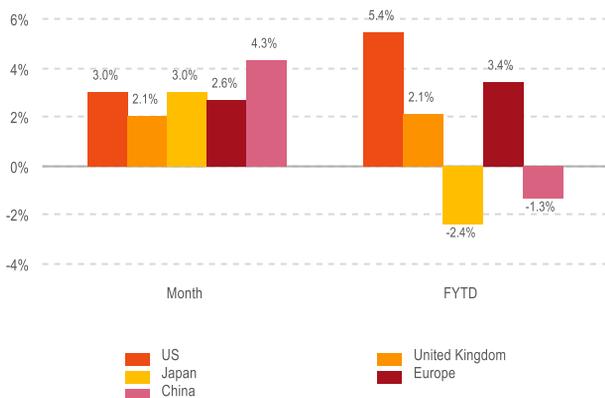
Australian Dollar



Source: Refinitiv Datastream



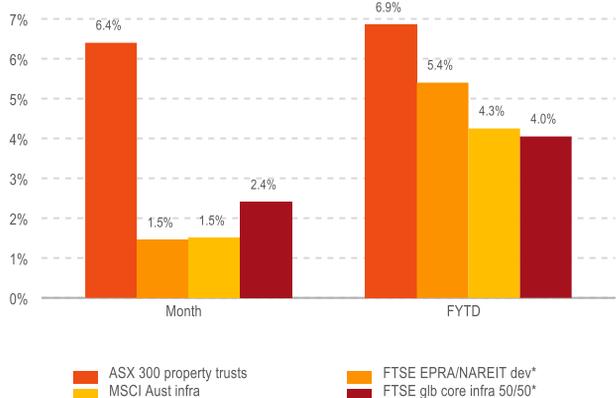
International Equities



Source: Refinitiv Datastream



Real Assets



Source: Refinitiv Datastream *Hedged A\$

Details of the indices are in the table on the next page

August 2021

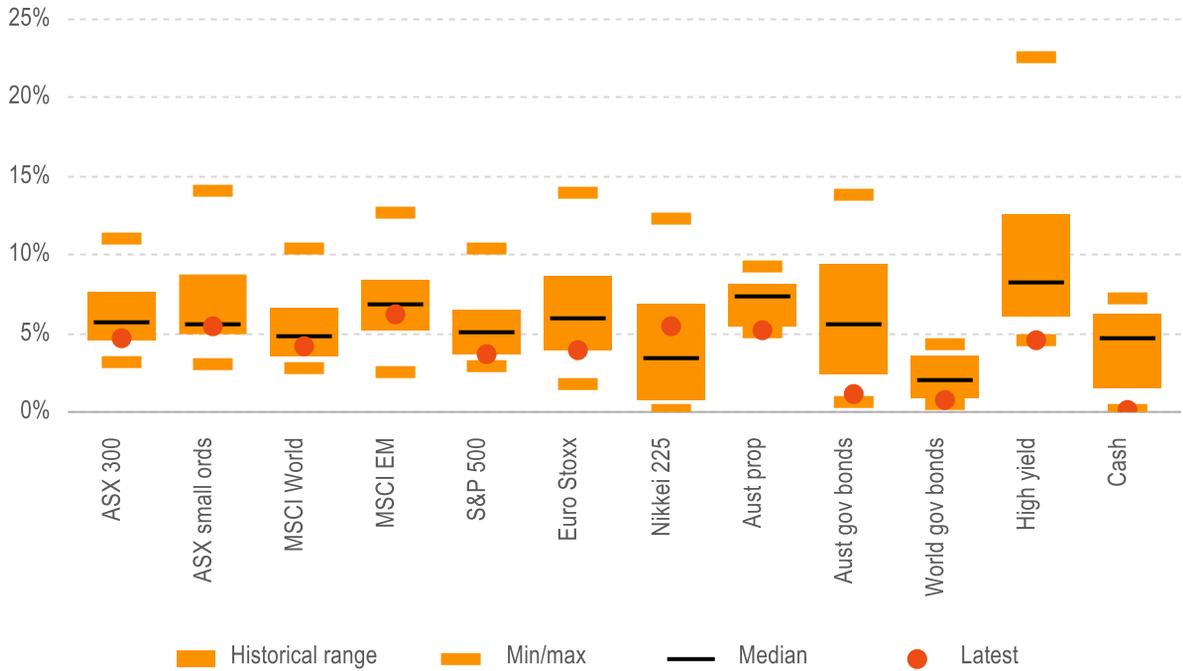
	Index Value	Month	3 Months	FYTD	1 Year	5 Yr p.a.	
Australian Equities							
	S&P/ASX 300 Accum. Index	7,537	2.6%	6.1%	3.7%	28.6%	11.1%
	S&P/ASX 300 Accum. Industrials Index	11,751	5.6%	8.3%	5.3%	30.5%	9.9%
	S&P/ASX 300 Accum. Resources Index	5,326	-8.4%	-2.2%	-2.4%	20.8%	16.9%
	ASX Small Caps Accum. Index	3,569	5.0%	8.9%	5.7%	29.5%	11.0%
International Equities							
	MSCI World Index (\$A)	4,814	3.1%	12.1%	7.2%	31.3%	15.5%
	MSCI World Index (Hedged \$A)	4,151	2.7%	7.0%	4.5%	29.3%	14.3%
	MSCI Emerging Markets Index (\$A)	1,293	3.2%	1.5%	-1.7%	22.6%	11.0%
	MSCI World ex-Aus Small Cap Index (\$A)	646	3.0%	7.9%	4.5%	43.8%	14.2%
	US (S&P 500 Index in USD)*	4,523	2.9%	7.6%	5.2%	29.2%	15.8%
	US Tech (NASDAQ Index in USD)*	15,259	4.0%	11.0%	5.2%	29.6%	24.0%
	United Kingdom (FTSE 100 Index in GBP)*	7,120	1.2%	1.4%	1.2%	19.4%	1.0%
	Japan (Nikkei 225 Index in JPY)*	28,090	3.0%	-2.7%	-2.4%	21.4%	10.7%
	Europe (Stoxx 50 Index in EUR)*	4,196	2.6%	3.9%	3.3%	28.2%	6.8%
	China (Shanghai Composite Index in CNY)*	3,544	4.3%	-2.0%	-1.3%	4.4%	2.8%
AUD versus ...							
	USD	0.73	-0.6%	-5.0%	-2.4%	-0.3%	-0.5%
	JPY	80.55	-0.4%	-5.0%	-3.0%	3.7%	0.8%
	GBP	0.53	0.4%	-2.4%	-2.1%	-3.6%	-1.5%
	EUR	0.62	-0.2%	-2.1%	-1.9%	0.4%	-1.7%
Real Assets							
	ASX 300 Listed Property Trusts Accum. Index	1,653	6.4%	12.8%	6.9%	31.8%	7.1%
	FTSE EPRA / NAREIT Dev. Index (Hedged \$A)	1,892	1.5%	7.3%	5.4%	32.9%	5.2%
	MSCI Australia Infrastructure	1,193	1.5%	7.7%	4.3%	5.9%	2.2%
	FTSE Global Core Infra 50/50 Index (Hedged \$A)	2,465	2.4%	3.9%	4.0%	18.9%	8.8%
Oil and Commodities							
	Crude Oil (US\$/bbl)	68.6	-7.2%	3.5%	-6.8%	61.0%	9.0%
	Copper Spot (US\$/tonne)	9,528	-1.8%	-7.0%	1.9%	42.3%	15.7%
	Gold Spot (US\$/ounce)	1,806	-0.9%	-5.2%	2.3%	-8.2%	6.7%
Australian Fixed Interest							
	Bloomberg AusBond Composite Index	10,707	0.1%	2.6%	1.9%	1.1%	3.3%
	Bloomberg AusBond Government Index	11,165	0.2%	3.2%	2.2%	0.8%	3.2%
	Bloomberg AusBond Corporate Index	11,182	0.1%	1.4%	1.1%	2.6%	4.1%
	Bloomberg AusBond Bank Bill Index	9,022	0.0%	0.0%	0.0%	0.0%	1.2%
Global Fixed Interest							
	FTSE WGBI ex-Aus (Hedged \$A)	2,616	-0.3%	1.7%	1.2%	-0.4%	2.7%
	Barclay's Global Agg. Bond Index (Hedged \$A)	1,106	-0.2%	1.5%	1.0%	0.6%	2.9%
Fixed Income (yields) as at ...							
		Aug 2021	Jul 2021	May 2021	Jun 2021	Aug 2020	Aug 2016
	Australia Bank Bill	0.01	0.01	0.01	0.01	0.09	1.62
	Australia 10-Year Government Bond	1.16	1.19	1.66	1.51	0.98	1.89
	US 10-Year Government Bond	1.30	1.24	1.59	1.44	0.69	1.57
	UK 10-Year Government Bond	0.62	0.57	0.80	0.72	0.31	0.64
	Germany 10-Year Government Bond	-0.38	-0.46	-0.18	-0.20	-0.40	-0.06
	Japan 10-Year Government Bond	0.02	0.02	0.08	0.05	0.05	-0.07

Source: Refinitiv Datastream

*Price Index

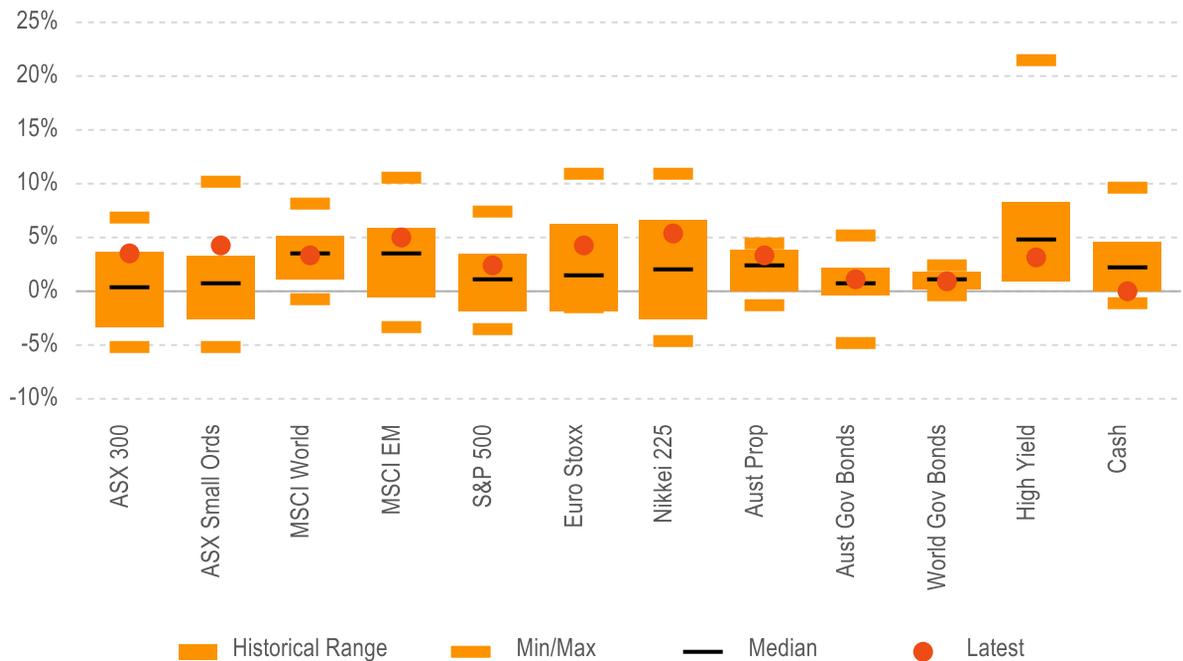
Asset class yields relative to history

Current yields (equities earnings)



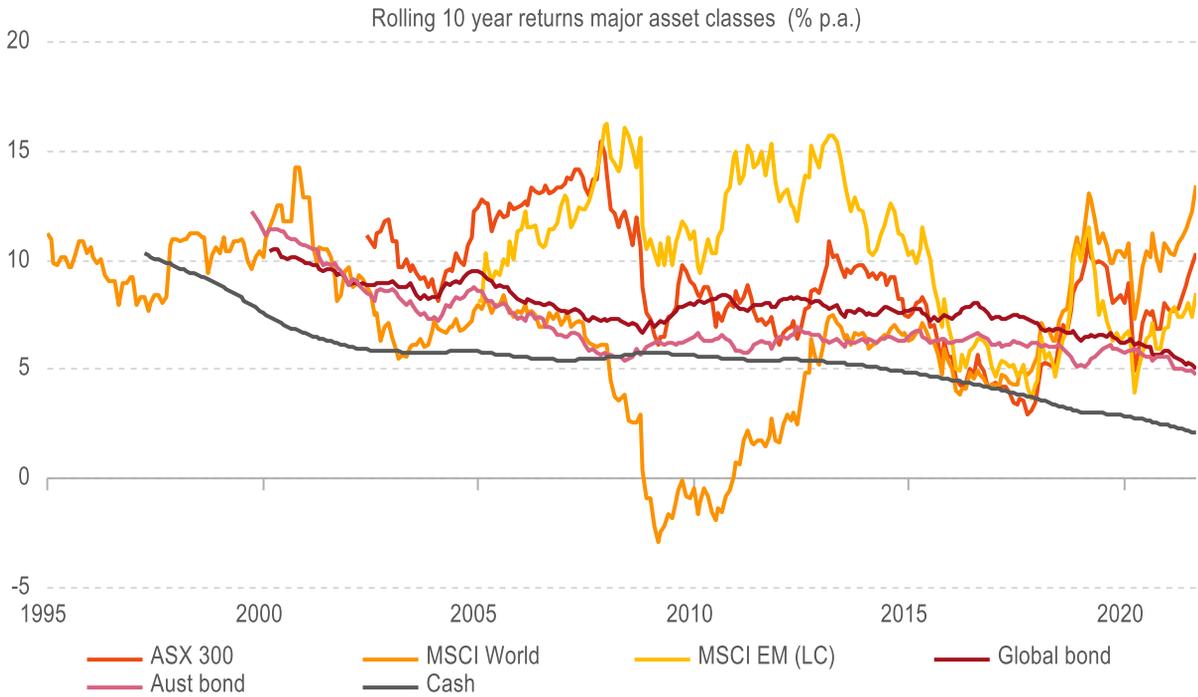
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Relative yields (vs bond or cash yield)

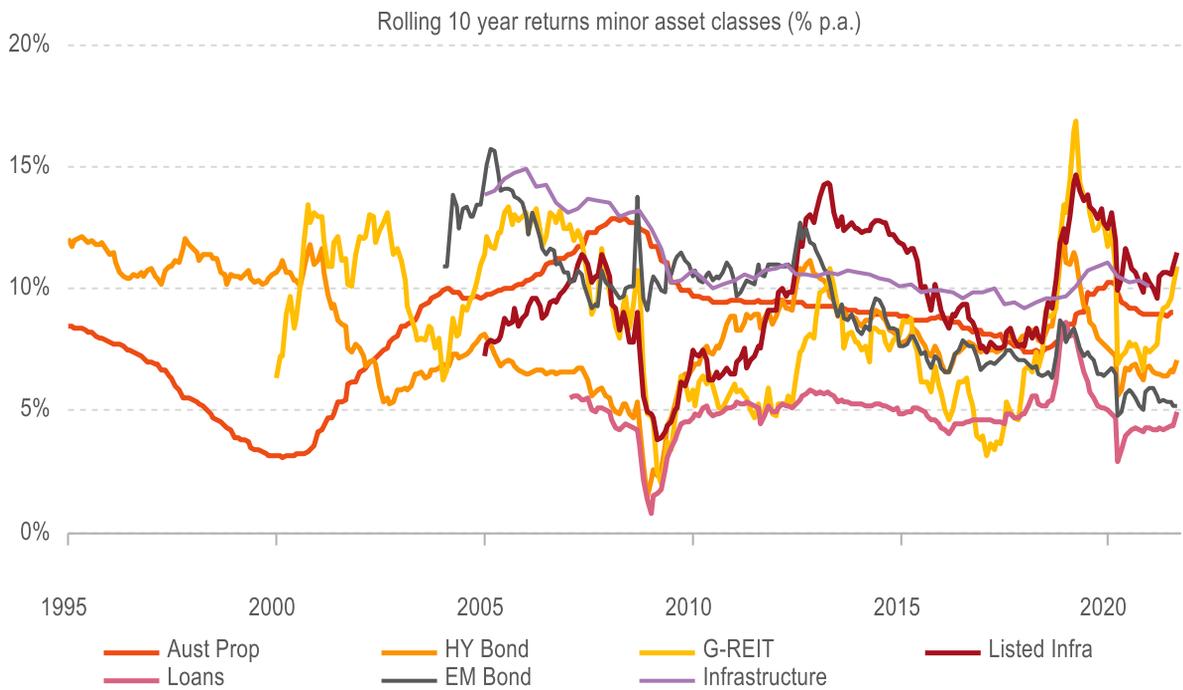


Source: Refinitiv Datastream

Asset class long-term returns



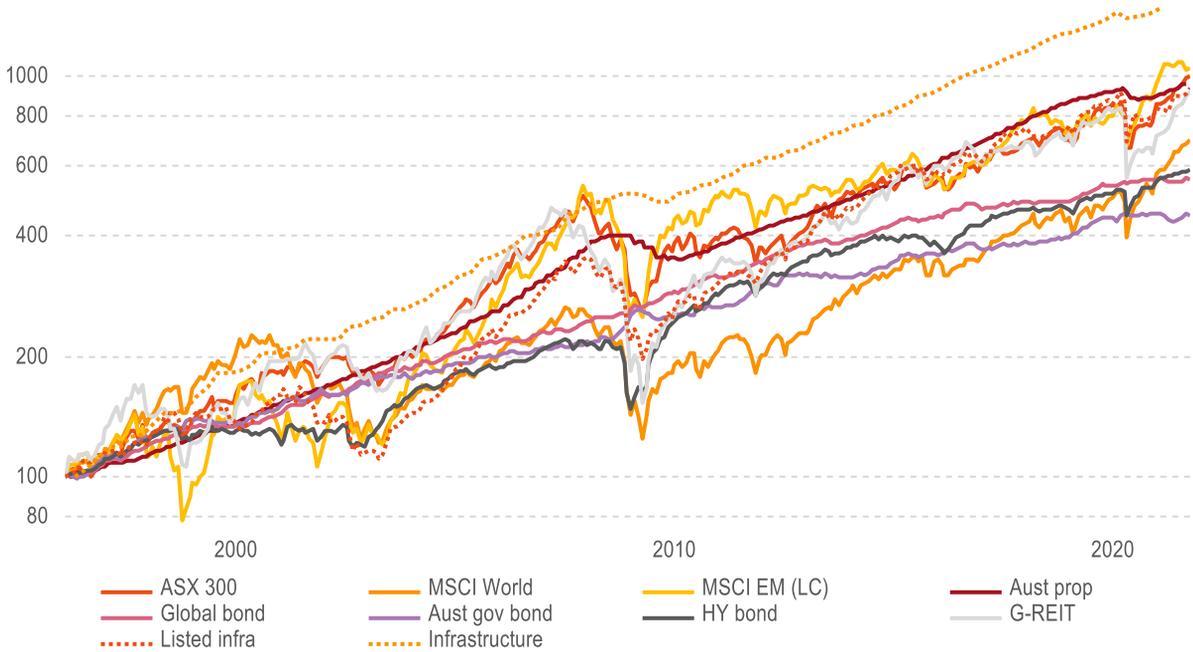
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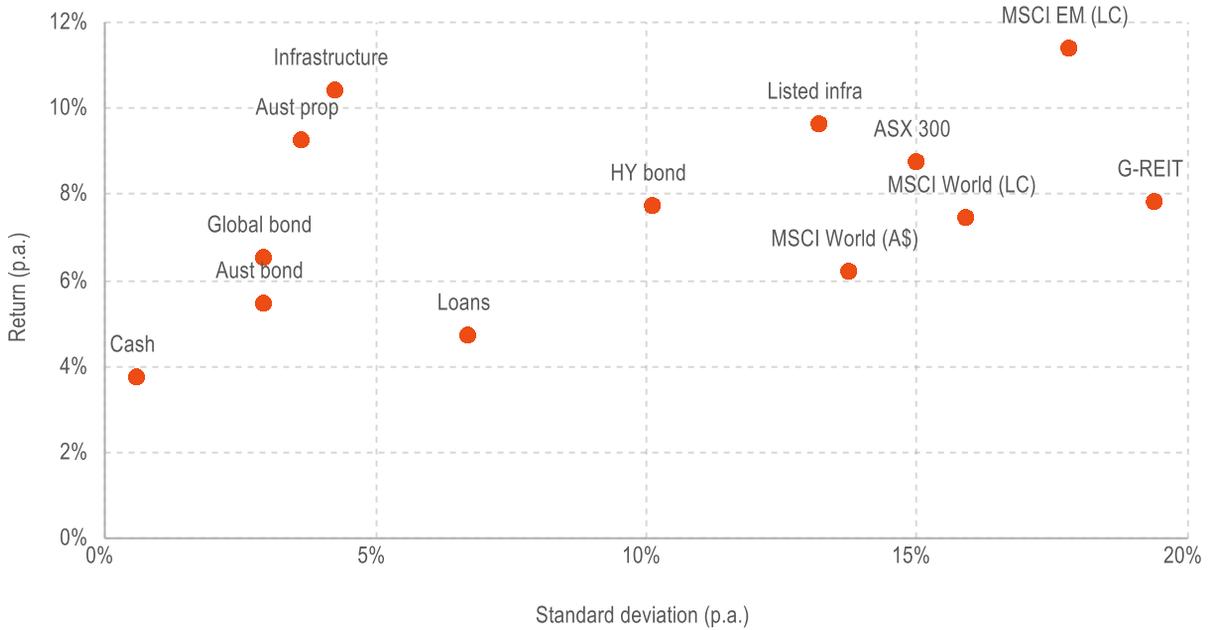
Asset class long-term returns

Cumulative values since 1 Jan 96 (\$100 reinvested)



Source: Refinitiv Datastream

Return-risk profile over 20 years (p.a.) to Aug 2021



Source: Refinitiv Datastream



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